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DAD/HR

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Acting Chief, S/TE/C

Comment on the New International Lists

1. This is a brief, preliminary statement for the purposes of general orientation.

2. The new International Lists embargo 118 items and have 31 items on the Watch List. It is estimated that of the 182 items formerly embargoed, about 131 have been retained nominally, but the coverage has been very significantly reduced in many cases.

3. The greatest control has been achieved in the category of electronics and precision instruments (43 items on the new embargo list). Several new items have been added and control has been strengthened over the "sophisticated" items, e.g., ruggedized communications equipment. This action is consistent with the intelligence furnished.

4. Probably the next greatest control has been retained over strategic metals, but losses have been significant. Noteworthy is the case of nickel. Metallic nickel can be shipped to the Bloc at the rate of 1,000 tons per month and some nickel bearing steels can be shipped in any quantity. This will be a significant contribution to the Bloc's economy which produces about 54,000 tons of nickel. In this case the degree of control secured is not consistent with the intelligence furnished. Copper, an important item for many years, has been completely decontrolled, but latest intelligence suggests that within the year Bloc shortages may be eased by the developments in China (165,000 tons production to be added).

5. A degree of control has been retained in the chemical and petroleum equipment category but losses have been heavy. In the case of petroleum equipment intelligence did not support a large amount of retention; in the case of chemical equipment it is felt that intelligence demonstrated that there were areas of vulnerability in the Soviet Bloc, particularly in the petrochemical equipment industry and in advanced plastics industry, but it is questionable if the data would support control in terms of the strict new COMINT criteria.

6. Control was retained for a few items of general industrial equipment and for narrowly defined special-purpose machine tools. In light of the large production of machine tools in the Bloc, the degree of control achieved has been high.

7. Very large areas of controls were lost in the electric power, chemicals, transportation and anti-friction bearings sectors. Noteworthy is decontrol

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of large electric power stations (needed for the industrialization of China), ships, and tankers. In terms of dollar trade the reduction in controls of ships and tankers may mean as much as reduction in all other categories combined. Inasmuch as these items cannot be demonstrated to have a uniquely military character they were decontrolled. While intelligence demonstrated general military/economic advantages accruing to the Bloc from purchase of these items abroad, it is questionable if the strict COCOM criteria were met.

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